Is IGM Financial Inc. (TSX:IGM) Ready to Take Back Market Share?

Description

IGM Financial (TSX:IGM) is having a bad year.

How bad, you ask?

Out of all the TSX stocks with a market cap of more than $4 billion, IGM, the parent company for Investors Group, is down 15% over the past 52 weeks, the 11th-worst performance out of 107 stocks.

It's no secret that Investors Group has struggled in recent years with a new financial order where high fees and poor service aren't the norms.

A new sheriff in town

Two years into the hiring of CEO Jeff Carney (he previously co-led IGM) as its full-time leader, the company has gone on a PR offensive to let investors know it's cleaned up its act and is ready to help high-net-worth investors grow their investments.

Investors Group used to be a company for the mass market. Now, it's re-branding as IG Wealth Management to deliver family-office, quality advice to a much wealthier clientele.

"For nearly seven decades, the firm had aimed squarely at the mass market, with thousands of advisers selling mutual funds to Canadians of all stripes. Investors Group was also widely known within the industry for its high fees, and it hadn't shown much urgency to slash them," Tim Kiladze wrote September 27 in a *Globe and Mail* feature about the company's changes under Carney. "The new CEO saw the industry much differently. 'My predecessor was playing a numbers game,' Carney says. When he arrived, nearly half the company's consultant network, as it's called internally, had four years of investment experience or less."

In this day and age when you have robo-advisors such as Wealthsimple — majority-owned by IGM and other **Power Corporation** and **Power Financial** subsidiaries — that are capable of handling the assets of younger, less-affluent investors digitally without a permanent financial advisor, the Investors Group advisors network, Carney reasoned, needed to get better at understanding the complexities of financial, estate and tax planning, rather than being just the custodians of high-fee mutual funds.

As a result, all IGM financial advisors must obtain the certified financial planner (CFP) designation, if they want to remain with the company. It's a move that should have happened years ago when ETFs and low-fee mutual funds first started grabbing a bigger piece of the asset management pie.

Better late than never

According to the Kiladze, Canadians have $4.5 trillion in financial wealth, with 8% of households controlling 75% of it. The fact that 44% of its client's assets are this type of investor gives it a head start, but if it wants to grab more, it must continue to up its game.

"We have covered IGM Financial for nearly 10 years, and up until April this year have never had an outperformer rating on the stock," wrote Paul Holden, a CIBC World Markets analyst, in a recent research report. He does now, suggests Kiladze. "IGM is a far better company today in terms of strategy, competitive positioning and financial efficiency. IG specifically has strategically positioned itself to make its fees more defensible."

I'm a fan of the Desmarais family and their holding company, Power Corporation, which owns 65.5% of Power Financial, which in turn owns 61.4% of IGM Financial.

In recent years investors have grown tired of Power Corporation's holding company structure, which has led to little or no capital appreciation and very little love from Motley Fool contributors in Canada who see IGM stock as a significant value trap.

It's going to take more than a little PR to convince investors that IGM is ready for a second act in the Canadian asset management industry.

The bottom line on IGM Financial stock

I believe that Wealthsimple will continue to be an incredible asset for Power Corporation that will play a part in IGM's revival.

Its stock hasn't been at these levels — sub-$35 — since early in 2016, almost three years ago. It's ready to start climbing higher.

Skeptics be damned.

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